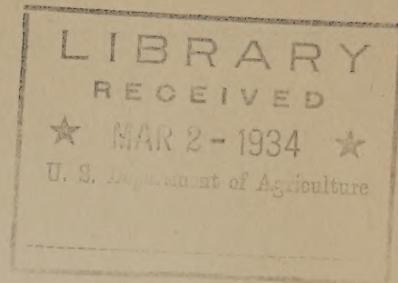


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POOL PLAN NO. I.

FOR MILK MARKETS

This pooling plan is for milk markets which receive their entire supply of milk at plants within the sales area. Under this plan, producers receive a blended price for all milk delivered by them.

The purpose of this pooling plan is to provide a means by which all producers who sell milk in the market will share alike in the higher price for milk used as whole milk. All producers will also share alike in the lower prices for milk used for cream and for manufacturing purposes. Distributors are treated equitably because all distributors must pay the same price for milk used for similar purposes. The details of this plan are subject to reasonable modification to fit local conditions.

Three other pool plans are available for other types of markets: Pool Plan No. II is for markets which receive their entire supply of milk at plants within the sales area, and which pay producers on a base-surplus plan. Pool Plan No. III is for markets which have country stations and freight differentials, and which pay producers a blended price for all milk. Pool Plan No. IV is for markets which have country stations and freight differentials, and which pay producers on a base-surplus plan.

Prepared  
by the  
Dairy Section  
Agricultural Adjustment Administration  
Washington, D. C.

PART I - EXPLANATORY

This Pool Plan is for markets having no country stations or freight differentials. A blended price is paid to producers for all milk. This Pool operates as follows:

- (a) THE AMOUNT OF MONEY WHICH THE DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK IS DETERMINED ACCORDING TO THE USE MADE OF THE MILK. Class I, Class II, and Class III milk represent the uses made of milk by distributors. The total value of the milk in each and all classes for each distributor, and for the entire market, is determined according to the price for the respective class of milk. This does not include purchases by distributors from other distributors. (See Section II).
- (b) The total amount of all milk in hundredweight is determined by adding the amounts of milk delivered by all producers. (See Section II).
- (c) PRODUCERS ARE PAID A BLENDED PRICE FOR ALL MILK, which price is determined by dividing the total value of all milk, as obtained in (a) above, by the total amount of milk as obtained in (b) above. (See Section III).

The Market Administrator maintains adjustment accounts for all distributors:

- (a) EACH DISTRIBUTOR IS DEBITED WITH THE AMOUNT OF MONEY WHICH HE IS OBLIGATED TO PAY FOR MILK as determined in (a) above. (See Sections II and IV); and,
- (b) EACH DISTRIBUTOR IS CREDITED WITH THE AMOUNT OF MONEY WHICH HE PAYS TO PRODUCERS FOR MILK at the blended price as obtained in (c) above. (See Sections III and IV); and,
- (c) BALANCES ON ADJUSTMENT ACCOUNTS ARE SETTLED WITH THE MARKET ADMINISTRATOR. (See Sections IV and V).

PART II - ILLUSTRATIVE

The following figures are intended to show how this market pool operates and are not suggestive of proper prices or differentials for any particular market.

I. BASIC PRELIMINARY INFORMATION

A - All plants are located in the sales area.

B - Prices Charged Distributors:

Class I	- - -	\$2.00 per Cwt.
Class II	- - -	1.50 per Cwt.
Class III	- - -	1.00 per Cwt.

C - Sales Use:

<u>Plant</u>	<u>Class I</u>	<u>Class III</u>	<u>Class III</u>	<u>Total Milk Delivered</u>
	Cwt.	Cwt.	Cwt.	Cwt.
A	500	200	300	1,000
B	700	100	200	1,000
C	300	300	400	1,000
Total	1,500	600	900	3,000
Per Cent	50%	20%	30%	100%

D - One blended price for all milk. (No base-surplus plan)

III. AMOUNT DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK:

<u>Plant</u>	<u>Class of Milk</u>	<u>Amount of Milk Cwt.</u>	<u>Price to Distributors</u>	<u>Amount Obligated to Pay</u>
Plant A:	I	500	\$ 2.00	\$1,000.00
	II	200	1.50	300.00
	III	300	1.00	<u>300.00</u>
Sub-total		<u>1,000</u>		\$1,600.00
Plant B:	I	700	\$ 2.00	\$1,400.00
	II	100	1.50	150.00
	III	200	1.00	<u>200.00</u>
Sub-total		<u>1,000</u>		\$1,750.00
Plant C:	I	300	\$ 2.00	\$ 600.00
	II	300	1.50	450.00
	III	400	1.00	<u>400.00</u>
Sub-total		<u>1,000</u>		\$1,450.00
<u>Entire Market:</u>				
	I	1,500	\$ 2.00	\$3,000.00
	II	600	1.50	900.00
	III	900	1.00	<u>900.00</u>
<u>Total</u>		<u>3,000*</u>	\$ 1.60**	<u>\$4,800.00</u>

\*Total milk delivered by producers.

\*\*\$4,800.00 ÷ 3,000 (cwt.) = \$1.60 Blended price to Producers for all milk.

III. DETERMINATION OF BLENDED PRICE AND PAYMENT TO PRODUCERS:

<u>Plant</u>	<u>Amount Distributors are obligated to pay</u>	<u>Amount of Milk Cwt.</u>	<u>Price to Producers</u>	<u>Payment to Producers</u>
A	\$ 1,600.00	1,000	\$ 1.60	\$ 1,600.00
B	1,750.00	1,000	1.60	1,600.00
C	<u>1,450.00</u>	<u>1,000</u>	<u>1.60</u>	<u>1,600.00</u>
<u>Total</u>	<u>\$ 4,800.00</u>	<u>3,000</u>	<u>\$ 1.60</u>	<u>\$ 4,800.00</u>

$\$4,800 \div 3,000 \text{ (cwt.)} = \$1.60$  Blended price to Producers for all milk.

IV. ADJUSTMENT ACCOUNTS OF DISTRIBUTORS:

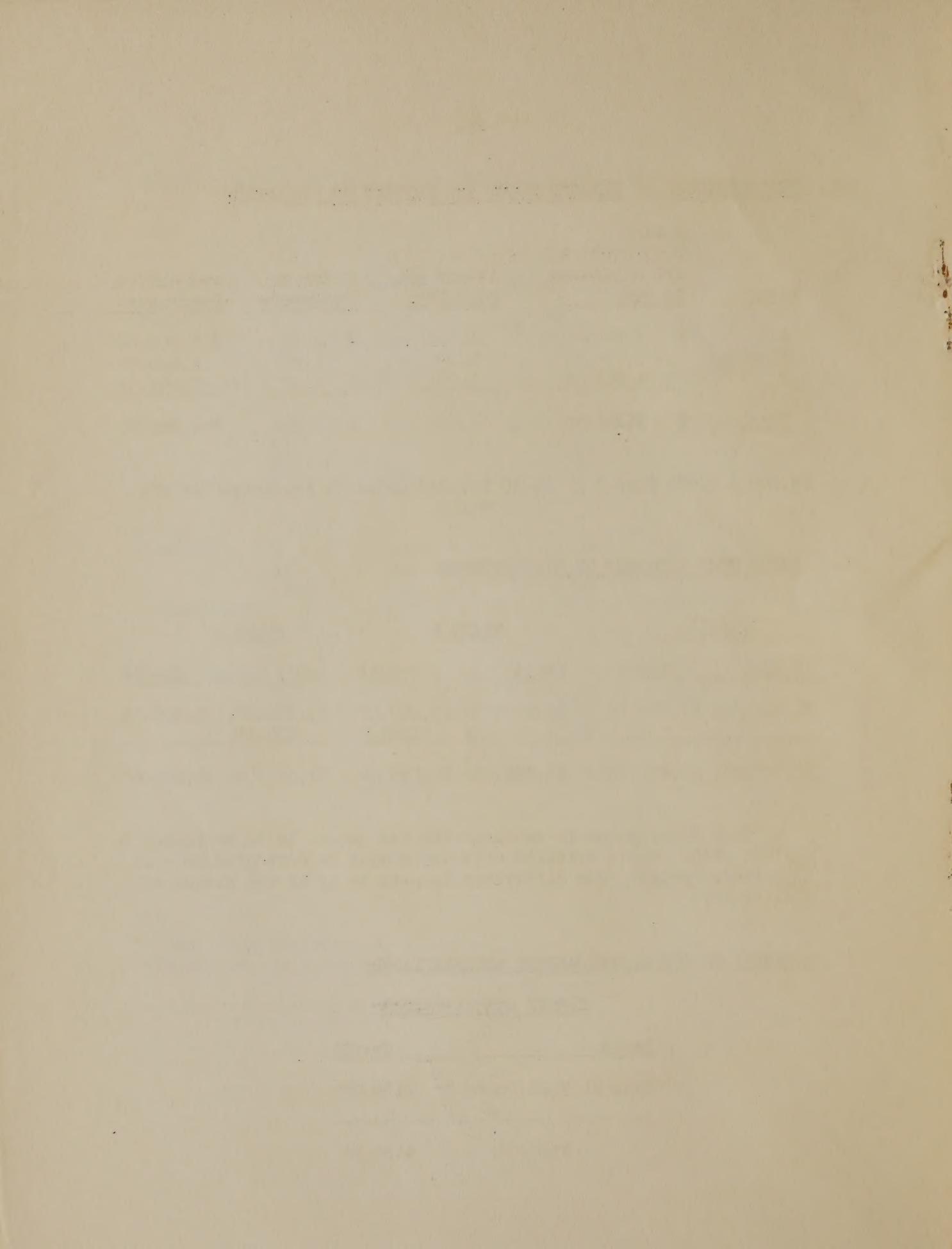
<u>PLANT A</u>		<u>PLANT B</u>		<u>PLANT C</u>	
<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
\$1,600.00:	\$1,600.00	\$1,750.00:	\$1,600.00	\$1,450.00:	\$1,600.00
:		:	150.00	150.00:	
:		:		:	
\$1,600.00:	\$1,600.00	\$1,750.00:	\$1,750.00	\$1,600.00:	\$1,600.00

Each distributor is debited with the amount he is obligated to pay for milk. He is credited with the amount he pays producers at the blended price. The difference is paid to or by the Market administrator.

V. PAYMENTS TO AND BY THE MARKET ADMINISTRATOR:

MARKET ADMINISTRATOR

<u>Debit</u>	<u>Credit</u>
:	
From B \$150.00:	To C \$150.00
:	
\$150.00:	\$150.00



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POOL PLAN NO. II.

FOR MILK MARKETS

This pooling plan is for milk markets which receive their entire supply of milk at plants within the sales area. Under this plan, producers are paid on the base-surplus plan for milk delivered by them.

The purpose of this pooling plan is to provide a means by which all producers who sell milk in the market will share alike in the higher price for milk used as whole milk. All producers will also share alike in the lower prices for milk used for cream and for manufacturing purposes. Producers are paid for their milk as base and surplus in order to encourage uniform production throughout the year. Distributors are treated equitably because all distributors must pay the same price for milk used for similar purposes. The details of this plan are subject to reasonable modification to fit local conditions.

Three other pool plans are available for other types of markets: Pool Plan No. I is for markets which receive their entire supply of milk at plants within the sales area, and which pay producers a blended price for all milk delivered by them. Pool Plan No. III is for markets which have country stations and freight differentials, and which pay producers a blended price for all milk. Pool Plan No. IV is for markets which have country stations and freight differentials, and which pay producers on a base-surplus plan.

Prepared  
by the  
Dairy Section  
Agricultural Adjustment Administration  
Washington, D. C.



PART I - EXPLANATORY

This Pool Plan is for markets which have no country stations or freight differentials, but which pay producers on a base-surplus plan. Each producer is paid a blended price for his delivered base but is paid only the manufactured or Class III price for all additional deliveries of milk. The Pool operates as follows:

- (a) THE AMOUNT OF MONEY WHICH THE DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK IS DETERMINED ACCORDING TO THE USE MADE OF THE MILK. Class I, Class II, and Class III represent the uses made of milk by the distributor. The total value of the milk in each and all classes for each distributor, and for the entire market, is determined according to the price for the respective class of milk. This does not include purchases by distributors from other distributors. (See Section II).
- (b) The total delivered bases in hundredweight is determined for the market by adding such amounts of milk as are delivered by producers not in excess of their respective bases. (See Section I, sub-division D).
- (c) PRODUCERS ARE PAID THE MANUFACTURED OR CLASS III PRICE FOR SURPLUS MILK. The amounts to be paid for such milk are totaled for each distributor and for the entire market. (See Section III). (Surplus milk is milk in excess of delivered bases).
- (d) The amount of money to be paid producers for surplus milk as determined in (c) above, is subtracted from the total amount of money which distributors are obligated to pay for milk as determined in (a) above. This resulting figure represents the money available for payment to producers for their delivered bases. (See Section IV).
- (e) PRODUCERS ARE PAID A BLENDED PRICE FOR DELIVERED BASES, which price is obtained by dividing the amount of money available for delivered bases as computed in (d) above, by the amount of milk represented by the delivered bases as computed in (b) above. (See Section V).

The Market Administrator maintains adjustment accounts with all distributors:

- (a) EACH DISTRIBUTOR IS DEBITED WITH THE AMOUNT OF MONEY WHICH HE IS OBLIGATED TO PAY FOR MILK as determined in (a) above. (See Sections II and VI); and,

(b) EACH DISTRIBUTOR IS CREDITED WITH THE AMOUNT OF MONEY WHICH HE PAYS TO PRODUCERS for delivered bases according to the blended price as determined in (e) above, and for the amount of money which he pays to producers for surplus milk as determined in (c) above. (See Sections III, V, and VI), and

(c) BALANCES ON ADJUSTMENT ACCOUNTS ARE SETTLED WITH THE MARKET ADMINISTRATOR. (See Sections VI and VII).

PART II - ILLUSTRATIVE

The following figures are intended to show how this market pool operates and are not suggestive of proper prices or differentials for any particular market.

I. BASIC PRELIMINARY INFORMATION:

A - All plants are located in the sales area.

B - Prices Charged Distributors:

Class I - - - \$2.00 per Cwt.  
Class II - - - \$1.50 per Cwt.  
Class III - - - \$1.00 per Cwt.

C - Sales Use:

<u>Plant</u>	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total Milk Delivered</u>
	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>
A	500	200	300	1,000
B	700	100	200	1,000
C	300	300	400	1,000
<u>Total</u>	1,500	600	900	3,000
<u>Per Cent</u>	50%	20%	30%	100%

D - Established and Delivered Bases of Producers supplying the market:

<u>Plant</u>	<u>Total Established Bases</u>	<u>Total Delivered Bases</u>	<u>Total Milk Delivered</u>	<u>Excess over Delivered Bases</u>
	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>
A	800	700	1,000	300
B	900	800	1,000	200
C	700	500	1,000	500
<u>Total</u>	2,400	2,000	3,000	1,000

It should be noted that delivered bases at each plant are shown to be less than the established bases, yet each plant has a substantial proportion of surplus milk (excess over delivered bases). This is a usual situation in base-surplus markets, because some farmers do not deliver as much milk as their base allotments while other farmers deliver in excess of these amounts. Care should be exercised in reporting the amount of milk represented by delivered bases and the amount of milk represented as surplus milk so that this point will not be overlooked.

II. AMOUNT DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK:

<u>Plant</u>	<u>Class of Milk</u>	<u>Amount of Milk Cwt.</u>	<u>Price to Distributors</u>	<u>Amount Obligated to Pay</u>
Plant A:	I	500	\$ 2.00	\$1,000.00
	II	200	1.50	300.00
	III	300	1.00	300.00
Sub-totals		1,000		\$1,600.00
Plant B:	I	700	\$ 2.00	\$1,400.00
	II	100	1.50	150.00
	III	200	1.00	200.00
Sub-totals		1,000		\$1,750.00
Plant C:	I	300	\$ 2.00	\$ 600.00
	II	300	1.50	450.00
	III	400	1.00	400.00
Sub-totals		1,000		\$1,450.00
<u>Entire Market:</u>				
	I	1,500	\$ 2.00	\$3,000.00
	II	600	1.50	900.00
	III	900	1.00	900.00
<u>Total</u>		<u>3,000*</u>		<u>\$4,800.00</u>

\*Total milk delivered by producers.

III. PAYMENTS TO PRODUCERS FOR SURPLUS MILK:

<u>Plant</u>	<u>Surplus Milk*</u> <u>Cwt.</u>	<u>Price to Producers**</u>	<u>Payment to Producers</u>
A	300	\$ 1.00	\$ 300.00
B	200	1.00	200.00
C	<u>500</u>	1.00	<u>500.00</u>
<u>Total</u>	1,000	\$ 1.00	\$ 1,000.00

\*Excess over delivered bases. See Section I, subsection D.

\*\*Price of manufactured or Class III milk.

IV. AMOUNT AVAILABLE FOR PAYMENT OF DELIVERED BASES:

<u>Plant</u>	<u>Amount Distributors are obligated to pay</u>	<u>Payment for excess over Delivered bases *</u>	<u>Amount Available for Delivered bases</u>
A	\$ 1,600.00	\$ 300.00	\$ 1,300.00
B	1,750.00	200.00	1,550.00
C	<u>1,450.00</u>	<u>500.00</u>	<u>950.00</u>
<u>Total</u>	\$ 4,800.00	\$1,000.00	\$ 3,800.00**

\*See Section III.

\*\*\$3,800.00 ÷ 2,000 (cwt.) = \$1.90 Blended price to producers for delivered bases.

V. PAYMENTS TO PRODUCERS FOR DELIVERED BASES:

<u>Plant</u>	<u>Delivered Bases*</u> <u>Cwt.</u>	<u>Blended Price to Producers</u>	<u>Payments to Producers</u>
A	700	\$ 1.90	\$ 1,330.00
B	800	1.90	1,520.00
C	<u>500</u>	1.90	<u>950.00</u>
<u>Total</u>	2,000	\$ 1.90	\$ 3,800.00

\$3,800.00 ÷ 2,000 (cwt.) = \$1.90 Blended price to producers for delivered bases.

\*See Section I, subsection D.

VI. ADJUSTMENT ACCOUNTS OF DISTRIBUTORS:

<u>PLANT A</u>		<u>PLANT B</u>		<u>PLANT C</u>	
<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
\$1,600.00	\$ 300.00	\$1,750.00	\$ 200.00	\$1,450.00	\$ 500.00
	1,330.00		1,520.00		950.00
30.00			30.00		
\$1,630.00	\$1,630.00	\$1,750.00	\$1,750.00	\$1,450.00	\$1,450.00

Each distributor is debited with the amount he is obligated to pay for milk. He is credited with the amount he pays producers for surplus milk, and he is credited with the amount he pays producers for delivered bases. The balance is paid to or by the Market Administrator.

VII. PAYMENTS TO AND BY THE MARKET ADMINISTRATOR:

MARKET ADMINISTRATOR

<u>Debit</u>		<u>Credit</u>	
To A	\$30.00	From B	\$30.00
	\$30.00		\$30.00

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POOL PLAN NO. III.

FOR MILK MARKETS

This pool plan is for milk markets which have country stations and freight differentials. Under this plan, producers receive a blended price for all milk, with adjustments based on the distance of the country stations from the market.

The purpose of this pooling plan is to provide a means by which all producers who sell milk in the market will share alike in the higher price for milk used as whole milk. All producers will also share alike in the lower prices for milk used for cream and for manufacturing purposes. Distributors are treated equitably because all distributors must pay the same price for milk purchased at similar locations and used for similar purposes. The details of this plan are subject to reasonable modification to fit local conditions.

Three other pool plans are available for other types of markets: Pool Plan No. I is for markets which receive their entire supply of milk at plants within the sales area, and which pay producers a blended price for all milk delivered by them. Pool Plan No. II is for markets which receive their entire supply of milk at plants within the sales area, and which pay producers on a base-surplus plan. Pool Plan No. IV is for markets which have country stations and freight differentials, and which pay producers on a base-surplus plan.

Prepared  
by the  
Dairy Section  
Agricultural Adjustment Administration  
Washington, D.C.

PART-I-EXPLANATORY

This Pool Plan is for markets having country stations and freight differentials. A blended price is paid producers for all milk delivered. Distributors' zone differentials are intended to reflect the added cost of operating country stations and transporting the milk to the sales area in the form in which it is finally used. Producers' zone differentials are intended to reflect the cost of transporting whole milk to the sales area, thereby giving producers near the market the full advantage of their location. The Pool operates as follows:

- (a) THE AMOUNT OF MONEY WHICH DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK IS DETERMINED ACCORDING TO THE USE MADE OF THE MILK, and according to the zone or plant location at which the milk is purchased. Class I, Class II, and Class III milk represent the uses made of the milk by distributors. The total value of the milk in each and all classes for each distributor, and for the entire market, is determined according to the price for the respective class of milk at the plant at which the milk is delivered. This does not include purchases by distributors from other distributors. (See Section II).
- (b) The total amount of milk in hundredweight is determined by adding the amounts of milk delivered by producers. (See Section II).
- (c) The amount of money available with which to pay producers for all milk as determined in (a) above, is adjusted to reflect the value of such milk within the sales area by adding the producers' zone differentials on all milk delivered to country plants. (See Section III).
- (d) PRODUCERS ARE PAID A BLENDED PRICE FOR ALL MILK, which price is determined by dividing the total value of all milk as determined in (a) above, by the total amount of milk as determined in (b) above. This price is for all milk delivered to the plants in the sales area. Prices in other zones reflect the producers' zone adjustments made in (c) above. (See Section IV).

The Market Administrator maintains adjustment accounts with all distributors:

- (a) EACH DISTRIBUTOR IS DEBITED WITH THE AMOUNT OF MONEY WHICH HE IS OBLIGATED TO PAY FOR MILK as determined in (a) above. (See Sections II and V); and,
- (b) EACH DISTRIBUTOR IS CREDITED WITH THE AMOUNT OF MONEY WHICH HE PAYS PRODUCERS FOR MILK at the blended price obtained in (d) above. (See Sections IV and V); and,
- (c) BALANCES ON ADJUSTMENT ACCOUNTS ARE SETTLED WITH THE MARKET ADMINISTRATOR, (See Sections V and VI).

PART II - ILLUSTRATIVE

The following figures are intended to show how this pool operates and are not suggestive of proper prices or differentials for any particular market.

I. BASIC PRELIMINARY INFORMATION:

A - Zones and Price Adjustments:

<u>Plant</u>	<u>Distance from Sales Area</u>	<u>Adjustments in cost of milk to Distributors*</u>	<u>Zone Differentials in paying Producers **</u>
A	f.o.b. sales area	None	None
B	50-mile zone	(Class 1 - 25¢ (Class 2 - 10¢ (Class 3 - 0	25¢ on all milk
C	150-mile zone	(Class 1 - 50¢ (Class 2 - 15¢ (Class 3 - 0	50¢ on all milk

\* Allowances are made for freight and country plant expense according to the use made of the milk. Class I milk is used as whole milk, Class II as cream, and can be separated at the country station. Class III milk is for manufacturing purposes.

\*\*These producers' differentials apply to all milk in order to give the producer near the market the full advantage of his location. These adjustments in paying producers do not in any manner affect the amount which the distributors are obligated to pay for their milk.

B - Prices charged Distributors f.o.b. Sales Area:

Class I - - - \$2.00  
Class II - - - \$1.50  
Class III- - - \$1.00

C - Sales Use:

<u>Plant</u>	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total Milk Delivered</u>
	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>
A	500	200	300	1,000
B	700	100	200	1,000
C	300	300	400	1,000
Total	1,500	600	900	3,000
Per Cent	50%	20%	30%	100%

D - One Blended price for all milk. (No base-surplus plan)

II. AMOUNT DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK:

<u>Plant</u>	<u>Class of Milk</u>	<u>Amount of Milk Cwt.</u>	<u>Price to Distributors*</u>	<u>Amount Obligated to Pay</u>
<b>Plant A:</b>				
(f.o.b. sales area)	I	500	\$ 2.00	\$1,000.00
	II	200	1.50	300.00
	III	300	1.00	300.00
	<b>Sub-total</b>	<b>1,000</b>		<b>\$1,600.00</b>
<b>Plant B:</b>				
(50-mile zone)	I	700	\$ 1.75	\$1,225.00
	II	100	1.40	140.00
	III	200	1.00	200.00
	<b>Sub-total</b>	<b>1,000</b>		<b>\$1,565.00</b>
<b>Plant C:</b>				
(150-mile zone)	I	300	\$ 1.50	\$ 450.00
	II	300	1.35	405.00
	III	400	1.00	400.00
	<b>Sub-total</b>	<b>1,000</b>		<b>\$1,255.00</b>
<b>Entire Market:</b>				
	I	1,500		\$2,675.00
	II	600		845.00
	III	900		900.00
	<b>Total</b>	<b>3,000</b>		<b>\$4,420.00</b>

\*The prices at plants B and C reflect the adjustments in cost of milk to distributors at these points according to the use of the milk. See Section I, subsection A.

III. ADJUSTING FOR PRODUCERS' DIFFERENTIALS TO F.O.B. SALES AREA:

<u>Plant</u>	<u>Amount Distributors obligated to pay</u>	<u>Producer Zone Adjustment*</u>	<u>Adjustment F.O.B. Sales Area</u>	<u>Blended Price to Producer at Each point</u>
A: f.o.b. Sales Area	\$ 1,600.00	None	\$ 1,600.00	\$ 1.72-1/3
B: 50 mile zone	1,565.00	\$250.00 (1000 x .25) cwt. x rate	1,815.00	1.47-1/3
C: 150 mile zone	1,255.00	\$500.00 (1000 x .50) cwt. x rate	\$1,755.00	1.22 1/3
<u>Total</u>	<u>\$4,420.00</u>		<u>\$5,170.00</u>	

$\$5,170.00 \div 3,000$  (cwt) = \$1.72-1/3 blended price to producers for all milk f.o.b. sales area. In practice the money represented by the one-third cent per hundredweight would be carried as a balance by the Market Administrator to the next pool period.

\*These adjustments apply to all milk and are added for the purpose of determining the blended price f.o.b. sales area. These same differentials are then subtracted from the blended price f.o.b. sales area to obtain the blended price to producers in each zone as shown in the last column.

IV.

PAYMENTS TO PRODUCERS:

<u>Plant</u>	<u>Amount of Milk</u>	<u>Price to Producers</u>	<u>Payments to Producers</u>
A - F.O.B. Sales Area	1,000	\$1.72-1/3	\$1,723.33-1/3
B - 50-mile zone	1,000	\$1.47-1/3	1,473.33-1/3
C - 150-mile zone	1,000	\$1.22-1/3	1,223.33-1/3
			\$ 4,420.00

The differences in the prices to producers at the various plants are according to the producers' zone differentials provided for in the last column of Section I, subsection A. See also Section III.

V/ ADJUSTMENT ACCOUNTS OF DISTRIBUTORS:

<u>PLANT A</u>		<u>PLANT B</u>	
<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
\$1,600.00 123.33-1/3	\$1,723.33-1/3	\$1,565.00	\$1,473.33 1/3 91.66-2/3
<u>\$1,723.33-1/3</u>	<u>\$1,723.33-1/3</u>	<u>\$1,565.00</u>	<u>\$1,565.00</u>
<u>PLANT C</u>			
<u>Debit</u>	<u>Credit</u>		
\$1,255.00	\$1,233.33-1/3 31.66-2/3		
<u>\$1,255.00</u>	<u>\$1,255.00</u>		

Each distributor is debited with the amount he is obligated to pay for milk. He is credited with the amount which he pays producers at the blended price. The balance is paid to or by the Market Administrator.

VI. PAYMENTS TO AND BY THE MARKET ADMINISTRATOR:

MARKET ADMINISTRATOR

<u>Debit</u>	<u>Credit</u>
From B \$91.66-2/3	To A \$123.33-1/3
From C 31.66-2/3	
<u>\$123.33-1/3</u>	<u>\$123.33-1/3</u>

POOL PLAN NO. IV

FOR MILK MARKETS

This pooling plan is for milk markets which have country stations and freight differentials. Under this plan, producers are paid on the base-surplus plan for all milk, with adjustments based on the distance of the country stations from the market.

The purpose of this pooling plan is to provide a means by which all producers who sell milk in the market will share alike in the higher price for milk used as whole milk. All producers will also share alike in the lower prices for milk used for cream and for manufacturing purposes. Distributors are treated equitably because all distributors must pay the same price for milk purchased at similar locations and used for similar purposes. The details of this plan are subject to reasonable modification to fit local conditions.

Three other pool plans are available for other types of markets: Pool Plan No.I is for markets which receive their entire supply of milk at plants within the sales area, and which pay producers a blended price for all milk delivered by them. Pool Plan No.II is for markets which receive their entire supply of milk at plants within the sales area, and which pay producers on a base-surplus plan. Pool Plan No.III is for markets which have country stations and freight differentials, and which pay producers a blended price for all milk.

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## PART-I--EXPLANATORY

This Pool Plan is for markets which have country stations and freight differentials, and which pay producers on a base-surplus plan. Each producer is paid a blended price for his delivered base, but is paid only the manufactured or Class III price for all additional deliveries of milk. Distributors' zone differentials are intended to reflect the added cost of operating country stations and transporting the milk to the sales area in the form in which it is finally used. Producers' zone differentials are intended to reflect the cost of transporting whole milk to the sales area, thereby giving producers near the market the full advantage of their location. The Pool operates as follows:

- (a) THE AMOUNT OF MONEY WHICH DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK IS DETERMINED ACCORDING TO THE USE MADE OF THE MILK, and according to the zone or plant location at which the milk is purchased. Class I, Class II, and Class III represent the uses made of milk by distributors. The total value of the milk in each and all classes for each distributor, and for the entire market, is determined according to the price for the respective class of milk at the plant at which the milk is delivered. This does not include purchases by distributors from other distributors. (See Section II).
- (b) The total delivered bases in hundredweight is determined for the market by adding such amounts of milk as are delivered by producers not in excess of their respective bases. (See Section I, subsection D).
- (c) PRODUCERS ARE PAID THE MANUFACTURED OR CLASS III PRICE FOR SURPLUS MILK. The amounts paid for such milk are totaled for each distributor and for the entire market. (See Section III). (Surplus milk is milk in excess of delivered bases).
- (d) The amount of money paid producers for surplus milk as determined in (c) above, is subtracted from the total amount of money which distributors are obligated to pay for milk as determined in (a) above. This resulting figure represents the money available for payment to producers for their delivered bases. (See Section IV)
- (e) The amount of money available with which to pay producers for their delivered bases as determined in (d) above, is adjusted to reflect the value of such milk within the sales area by adding the producers' zone differentials on all delivered bases at country plants. (See Section V).

(f) PRODUCERS ARE PAID A BLENDED PRICE FOR DELIVERED BASES, which price is obtained by dividing the amount of money available for delivered bases as computed in (e) above, by the amount of milk represented by the delivered bases as computed in (b) above. This price is for all delivered bases at plants in the sales area. Prices for delivered bases in other zones will reflect the producers' zone adjustments made in (e) above.

The Market Administrator maintains adjustment accounts for all distributors:

- (a) EACH DISTRIBUTOR IS DEBITED WITH THE AMOUNT OF MONEY WHICH HE IS OBLIGATED TO PAY FOR MILK as determined in (a) above. (See Section II and VII); and
- (b) EACH DISTRIBUTOR IS CREDITED WITH THE AMOUNT OF MONEY WHICH HE PAYS PRODUCERS for delivered bases according to the blended price with adjustments as determined in (f) above, and for the amount of money which he pays to producers for surplus milk as determined in (c) above. (See Sections III, VI, and VII); and
- (c) BALANCES ON ADJUSTMENT ACCOUNTS ARE SETTLED WITH THE MARKET ADMINISTRATOR. (See Sections VII and VIII).

PART-II--ILLUSTRATIVE

The following figures are intended to show how this Pool operates and are not suggestive of proper prices or differentials for any particular market.

I. BASIC PRELIMINARY INFORMATION:

A - Zones and Price Adjustments:

<u>Plant</u>	<u>Distance from Sales Area</u>	<u>Adjustments in cost of milk to Distributors</u>	<u>Zone Differentials in paying Producers**</u>
A	F.O.B. sales area	None	None
B	50-mile zone	(Class 1 - 25¢ (Class 2 - 10¢ (Class 3 - 0	25¢ on Delivered Base Only
C	150-mile zone	(Class 1 - 50¢ (Class 2 - 15¢ (Class 3 - 0	50¢ on Delivered Base Only

\*Allowances are made for freight and country plant expense according to the use made of the milk. See Plan III.

\*\*These zone differentials are made on all delivered bases in order to give the producer near the market the full advantage of his location. These adjustments do not in any manner affect the amount which the distributors are obligated to pay for their milk.

B - Prices charged Distributors, F.O.B. Sales Area:

Class I	- - -	\$2.00
Class II	- - -	\$1.50
Class III	- - -	\$1.00

C - Sales Use:

<u>Plant</u>	<u>Class I</u>	<u>Class II</u>	<u>Class III</u>	<u>Total Milk Delivered</u>
	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>	<u>Cwt.</u>
A	500	200	300	1,000
B	700	100	200	1,000
C	300	300	400	1,000
<u>Total</u>	1,500	600	900	3,000
<u>Per Cent</u>	50%	20%	30%	100%

D - Established and Delivered Bases of Producers supplying the Market:

<u>Plant</u>	<u>Total Established Bases Cwt.</u>	<u>Total Delivered Bases Cwt.</u>	<u>Total Milk Delivered Cwt.</u>	<u>Excesses over Established Bases Cwt.</u>
A	800	700	1,000	300
B	900	800	1,000	200
C	700	500	1,000	500
<u>Total</u>	<u>2,400</u>	<u>2,000</u>	<u>3,000</u>	<u>1,000</u>

It should be noted that delivered bases at each plant are shown to be less than the established bases, yet each plant has a substantial proportion of surplus milk (excess over delivered bases). This is a usual situation in base-surplus markets, because some farmers do not deliver as much milk as their base allotments while other farmers deliver in excess of these amounts. Care should be exercised in reporting the amount of milk represented by delivered bases and the amount of milk represented as surplus milk so that this point will not be overlooked.

II. AMOUNT DISTRIBUTORS ARE OBLIGATED TO PAY FOR MILK:

<u>Plant</u>	<u>Class of Milk</u>	<u>Amount of Milk Cwt.</u>	<u>Price to Distributors*</u>	<u>Amount Obligated to Pay</u>
Plant A: (f.o.b. sales area)	I	500	\$ 2.00	\$1,000.00
	II	200	1.50	300.00
	III	300	1.00	300.00
Sub-total		1,000		\$1,600.00
Plant B: (50-mile zone)	I	700	\$ 1.75	\$1,225.00
	II	100	1.40	140.00
	III	200	1.00	200.00
Sub-total		1,000		\$1,565.00
Plant C: (150 mile zone)	I	300	\$ 1.50	\$ 450.00
	II	300	1.35	405.00
	III	400	1.00	400.00
		1,000		\$1,255.00

<u>Plant</u>	<u>Class of Milk</u>	<u>Amount of Milk Cwt.</u>	<u>Price to Distributors*</u>	<u>Amount Obligated to Pay</u>
<u>Entire Market:</u>				
	I	1,500		\$2,675.00
	II	600		845.00
	III	900		900.00
	<u>Total</u>	<u>3,000</u>		<u>\$4,420.00</u>

"The prices at plants B and C reflect the adjustments in cost of milk to distributors at these points according to the use made of the milk. See Section I, subsection A.

III. PAYMENTS TO PRODUCERS FOR SURPLUS MILK:

<u>Plant</u>	<u>Surplus Milk Cwt.*</u>	<u>Price**</u>	<u>Total Payments for Surplus Milk</u>
A	300	\$ 1.00	\$ 300.00
B	200	1.00	200.00
C	500	1.00	500.00
	1,000	\$ 1.00	\$ 1,000.00

\*Excess over Delivered bases. See Section I, subsection D.

\*\*Price of Manufactured on Class III milk.

IV. AMOUNTS AVAILABLE FOR PAYMENTS OF DELIVERED BASES:

<u>Plant</u>	<u>Amount Distributors are obligated to pay</u>	<u>Payment for milk delivered over Bases</u>	<u>Amount obligated to pay producers for Delivered Bases</u>
A	\$ 1,600.00	\$ 300.00	\$ 1,300.00
B	1,565.00	200.00	1,365.00
C	1,255.00	500.00	755.00
	\$ 4,420.00	\$1,000.00	\$ 3,420.00

V. ADJUSTING FOR PRODUCERS' ZONE DIFFERENTIALS TO F. O. B. SALES AREA:

<u>Plant &amp; Location</u>	<u>Amount Distributors obligated to pay on Delivered Bases</u>	<u>Producers' Zone Deliveries</u>	<u>Producers' Zone Adjustments*</u>	<u>Adjusted F.O.B. Sales Area</u>	<u>Price to Producer F.O.B. Delivered Bases</u>
A: Plant in sales area	\$ 1,300.00	None		\$ 1,300.00	\$ 1.93 1/2
B: 50-mile plant	1,365.00		\$ 200.00 (800 x .25) cwt. x rate	1,565.00	1.68 1/2
C: 150-mile zone	755.00		250.00 (500 x .50)	1,005.00	1.43 1/2
	\$ 3,420.00		\$ 450.00	\$ 3,870.00	

$\$3,870.00 \div 2,000$  (cwt.) = \$1.93 1/2 blended price to producers for delivered bases f.o.b. sales area. In practice the money represented by a fraction cent per hundredweight would be carried as a balance by the Market Administrator to the next pool period.

\*These adjustments apply to all milk included in delivered bases and are added for the purpose of determining the blended price for such milk f.o.b. sales area. These same differentials are then subtracted from the blended price for delivered bases f.o.b. sales area to obtain the blended price to the producers in each zone as shown in the last column.

VI. PAYMENTS TO PRODUCERS FOR DELIVERED BASES:

<u>Plant &amp; Location</u>	<u>Delivered Bases.cwt.</u>	<u>Price.</u>	<u>Payment to Producers for Delivered Bases</u>
A - Plant in sales area	700	\$1.93 1/2	\$ 1,354.50
B - 50-mile plant	800	1.68 1/2	1,348.00
C - 150 mile plant	500	1.43 1/2	717.50
<u>Total</u>	<u>3,000</u>		<u>\$ 3,420.00</u>

The differences in prices to producers at the various plants are according to the producers' zone differentials provided for in the last column of Section I, subsection A. See also Section V.

VII. ADJUSTMENT ACCOUNTS:

<u>PLANT A</u>		<u>PLANT B</u>		<u>PLANT C</u>	
<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
:		:		:	
\$1,600.00:	\$ 300.00	\$1,565.00:	\$ 300.00	\$1,255.00:	\$ 500.00
54.50:	1,345.50	:	1,348.00	:	717.50
			17.00		37.50
\$1,654.50:	\$1,654.50	\$1,565.00:	\$1,565.00	\$1,255.00:	\$1,255.00

Each distributor is debited with the amount he is obligated to pay for milk. He is credited with the amount he pays producers for surplus milk and he is credited with the amount he pays producers for delivered bases. The balance is paid to or by the Market Administrator.

VIII. PAYMENTS TO AND BY THE MARKET ADMINISTRATOR:

MARKET ADMINISTRATOR

<u>Debit</u>	<u>Credit</u>
:	
From B \$17.00:	To A \$54.50
From C 37.50:	To C -
\$54.50:	\$54.50